



**Association of Oregon
Community Development
Organizations**

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JIM TIERNEY
Community
Action Team
President

April 6, 2004

Dear Officials of Federal Bank and Thrift Agencies:

The Association of Oregon Community Development Organizations (AOCDO) represents private nonprofits engaged in community development, including building affordable housing. We are also members of the National Congress for Community Economic Development. *I am writing this letter comment on some of the proposed changes to the Community Reinvestment Act (CRA) regulations.*

Two proposals, in particular, will substantially weaken the CRA and need to be withdrawn:

- ✓ provide streamlined and cursory exams for banks with assets between \$250 million and \$500 million; and
- ✓ establish a weak predatory lending compliance standard under CRA;

One proposal will promote our ability to gauge fair access to capital and should be supported:

- ✓ expand data collection and reporting for small business and home lending.

CRA is instrumental in increasing access to homeownership, boosting economic development, and expanding small businesses in the nation's minority, immigrant, and low- and moderate-income communities. The proposed CRA changes will thwart the Administration's goals of improving the economic status of immigrants and creating 5.5 million new minority homeowners by the end of the decade. Instead, the proposed CRA changes would facilitate predatory lending and reduce the ability of the general public to hold financial institutions accountable for compliance with consumer protection laws. For those reasons, we hope you will choose to continue to protect CRA.

1) Streamlined and cursory exams:

AOCDO **does not** support this proposal. Under current CRA regulations, large banks with assets of at least \$250 million are rated by performance evaluations that scrutinize their level of lending, investing, and services to low- and moderate-income communities. The proposed changes will eliminate the investment and service parts of the CRA exam for banks and thrifts with assets between \$250 and \$500 million. The proposed changes would reduce the rigor of CRA exams for over 1100 banks that account for more than \$387 billion in assets.

These banks would no longer be held accountable under CRA exams for investing in Low Income Housing Tax Credits, which have been a major source of affordable rental housing needed by large numbers of immigrants and lower income segments of the minority population. Likewise, the banks would no longer be held accountable for the provision of bank branches, checking accounts, Individual Development Accounts (IDAs), or debit card services. We strongly believe this lack of accountability would lead directly to a decrease in the amount of investment in low-income communities.

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2) Predatory Lending Standard:

AOCDO does not support this proposal. The proposed CRA changes will actually perpetuate abusive lending. The proposed standard states that loans based on the foreclosure value of the collateral, instead of the ability of the borrower to repay, can result in downgrades in CRA ratings. At best, this addresses only the smallest part of the predatory lending problem. The asset-based standard falls short because it will not cover many instances of predatory lending. CRA exams will allow abusive lending if they contain the proposed anti-predatory standard that does not address the problems of the packing of fees into mortgage loans, high prepayment penalties, loan flipping, mandatory arbitration, and other numerous abuses.

Rigorous fair lending audits and severe penalties on CRA exams for abusive lending are necessary in order to ensure that the new minority homeowners served by the Administration are protected. The proposed predatory lending standard will not provide that protection. In addition, an anti-predatory standard must apply to all loans made by the bank and all of its affiliates, not just real-estate secured loans issued by the bank in its "assessment area" as proposed by the agencies. By shielding banks from the consequences of abusive lending, the proposed standard will frustrate CRA's statutory requirement that banks serve low- and moderate-income communities consistent with safety and soundness.

3) Enhanced data disclosure:

AOCDO does support this proposal. The federal agencies propose that they will publicly report the specific census tract location of small businesses receiving loans in addition to the current items in the CRA small business data for each depository institution.

I am also the Executive Director of the **Oregon Microenterprise Network (OMEN)**, which provides funding and support services to nonprofits that help low-income people set up small businesses (five employees or fewer) as a way to build their incomes and move themselves off public assistance. Owning a small business is part of the American dream, an opportunity for people to support themselves and meet their dreams by being their own boss. The new data disclosure rules will improve the ability of the general public to determine if banks are serving traditionally neglected neighborhoods with small business loans. It will also help nonprofits, such as those served by OMEN, determine which of the banks are able to assist in this dream. We hope you will choose to support this proposal.

The first two proposed changes to CRA will directly undercut the Administration's emphasis on minority homeownership and immigrant access to jobs and banking services. The proposals regarding streamlined exams and the anti-predatory lending standard threaten CRA's statutory purpose of the safe and sound provision of credit and deposit services. The third proposal makes CRA laws that much more meaningful, but that is undercut if the agencies update procedures regarding assessment areas, affiliates, and the treatment of high cost loans and purchases on CRA exams. CRA is simply a law that makes capitalism work for all Americans. *Please do not support proposals 1 and 2, and do support proposal 3.*

Please contact me at (503) 223-4041 if I can provide you with any further information. Thank you for your time.

Sincerely,



John D. Blatt

Executive Director

Cc: National Congress for Community Economic Development
National Community Reinvestment Coalition
President George W. Bush
Treasury Secretary John W. Snow